

1 BY MR. HANAUER:

2 Q. Mr. Birla, is Exhibit AB-11 an e-mail
3 that a [REDACTED] sent to you and others on
4 October 3rd, 2016?

5 A. I believe so, yes.

6 Q. And who is Mr. [REDACTED]?

7 A. Mr. [REDACTED] was an early Ripple employee.

8 Q. Does he still work there?

9 A. No, he does not.

10 Q. What was Mr. [REDACTED]'s role in October
11 2016?

12 A. I don't remember what his role was at
13 that period. He had different roles at Ripple.

14 Q. So do you see how Mr. [REDACTED] writes "We
15 just had a call with Bitmex (HK-based exchange),
16 and they are going live with a 20x leveraged
17 cash-settled XRP/XBT listing today"?

18 A. I see that.

19 Q. What -- what was your understanding of
20 what he's referring to by "a 20x leveraged
21 cash-settled XRP/XBT" listing?

22 A. I don't understand what that means.

23 Q. Do you know what XBT is?

24 A. I do not.

25 Q. Do you understand that the X -- XRP

1 could be traded on Bitmex?

2 A. Can you rephrase the question, please?

3 Q. Yeah. So what was Bitmex?

4 A. I'm not super familiar with what Bitmex
5 is or was.

6 Q. Was it a Hong Kong-based exchange?

7 MR. HECKER: Objection to form;
8 foundation.

9 A. According to this e-mail, yes.

10 Q. And then do you see how Mr. [REDACTED]
11 writes "The spike in price and volume has helped
12 us to pitch exchanges, and it's even sold itself
13 in this case with Bitmex"?

14 A. Yes, I see that.

15 Q. And one of Ripple's goals was to get XRP
16 listed on various digital asset trading exchanges?

17 A. In -- in my function, for the xRapid/ODL
18 product to work, we needed liquidity and liquidity
19 is facilitated by crypto exchanges. And -- and,
20 for example, if I wanted to enable my product to
21 facilitate payments in Mexico, it was important to
22 have a Mexican-based exchange that provided
23 liquidity into local fiat and local rail payment
24 services.

25 Q. And in terms of generating liquidity,

1 generally being listed on more exchanges is better
2 than being listed on less exchanges?

3 A. I don't know for certain.

4 Q. In 2016, Ripple was trying to get -- in
5 order to build liquidity, Ripple was trying to get
6 XRP listed on more exchanges, correct?

7 A. In my function, product development for
8 enterprise solutions, I was fixed -- focused on
9 getting liquidity at destinations and origin
10 points to enable a cross-border payment between
11 one currency and another.

12 Q. And one of the ways to generate more
13 liquidity was to get XRP listed on exchanges,
14 right?

15 A. In my function, it was to get XRP listed
16 on exchanges that were at destinations where my
17 customers wanted to send payments. And -- and
18 building liquidity helped improve the product
19 experience for our customers and that was my
20 product focus.

21 Q. And did you understand Mr. [REDACTED] to be
22 writing that the spike in XRP's price has helped
23 Ripple get XRP listed on exchanges?

24 MR. HECKER: Objection to form.

25 A. Can you rephrase the question, please?

1 Q. So Mr. [REDACTED] was writing about the
2 spike in XRP's price helping Ripple get XRP listed
3 on exchanges?

4 A. That -- can you rephrase the question?

5 Q. Did you understand that Mr. [REDACTED] was
6 writing about increases in XRP's price helping
7 Ripple to get XRP listed on exchanges?

8 A. Yes. I understand that he -- he wrote
9 that in this e-mail.

10 Q. And did you agree with Mr. [REDACTED] that
11 increases in the price of XRP helped rip -- helped
12 Ripple get XRP listed on exchanges?

13 A. I don't believe I had a strong viewpoint
14 one way or the other to my knowledge.

15 MR. TENREIRO: This is 15,
16 Nicole.

17 (Whereupon, exhibit is presented
18 and marked SEC Birla Exhibit AB-15 for
19 identification.)

20 MR. HANAUER: And I just tendered
21 the witness a document labeled as Exhibit
22 AB-15, which has a Bates number ending in
23 2731.

24 BY MR. HANAUER:

25 Q. And, Mr. Birla, is Exhibit AB-15 an

1 e-mail chain ending with an e-mail sent from
2 Mr. Vias to Mr. Garlinghouse copying you and
3 others dated March 3rd, 2016?

4 A. I see that, yes.

5 Q. And I want to refer you to the March 2nd
6 e-mail from Mr. Larsen to [REDACTED] at
7 the bottom of the first page of AB-15. Please let
8 me know when you're done reading that e-mail.

9 (Pause)

10 Q. Do you know who [REDACTED] is?

11 A. I'm still reading.

12 Q. Oh, I'm sorry. Take your time.

13 (Pause)

14 Q. Do you know who Mr. or Professor
15 [REDACTED] is?

16 A. I do not believe so.

17 Q. And Mr. Larsen, Chris Larsen, what was
18 his role at Ripple in March 2017?

19 A. I believe it was either the CEO or
20 chairman.

21 Q. So do you see how Mr. Larsen writes "Our
22 currency, XRP, currently trades at approx. .006
23 U.S. dollars/XRP. As there are 100 billion of
24 them, this is not a bad market cap"?

25 A. I do see that.

1 Q. What was your understanding of what
2 Mr. Larsen is referring to there?

3 A. It sounds like he's referring to the
4 market cap of XRP.

5 Q. And what's your understanding when he
6 refers to XRP as "our currency"?

7 MS. DEARBORN: Object to form.

8 A. I don't know what he means by that.

9 Q. Did you understand him to mean referring
10 to Ripple's currency?

11 A. I do not know.

12 MS. DEARBORN: Same objection.

13 MS. ZORNBERG: Court reporter,
14 did you get the answer?

15 MR. HECKER: It's in the
16 transcript.

17 BY MR. HANAUER:

18 Q. Did anyone else besides Mr. Larsen
19 ever -- at Ripple ever refer to XRP as our
20 currency or Ripple's currency?

21 A. I do not know for certain.

22 Q. And then can you please look at the last
23 paragraph on Exhibit AB-15?

24 And Mr. Larsen writes "While we
25 obviously don't control the nominal price of XRP,

1 we could advocate to the community of
2 decentralized validators to increase the nominal
3 price with a decrease in the nominal supply"?

4 A. I see that.

5 Q. What did you understand Mr. Larsen to be
6 referring to?

7 MS. ZORNBERG: Objection; lack of
8 foundation. I don't think you've even
9 asked the witness yet if he remembers the
10 document --

11 THE REPORTER: I can't hear you.

12 MS. ZORNBERG: I don't think you
13 even asked Mr. Birla if he's familiar with
14 the document or recalls reading it.

15 BY MR. HANAUER:

16 Q. You can answer the question.

17 A. Which -- do you mind repeating the
18 question?

19 Q. Yeah.

20 What do you understand Mr. Larsen to be
21 referring to?

22 A. I don't -- I don't understand what he's
23 referring to.

24 Q. What's "the community of decentralized
25 validators"?

1 MS. DEARBORN: Objection to form.

2 A. It's e-mails, you know, out of context.
3 I'm not -- I don't know for certain what he's
4 referring to.

5 Q. In 2017, did Ripple control the supply
6 of XRP?

7 MS. ZORNBERG: Object to form.

8 A. Do you mind rephrasing the question?

9 Q. In 2017, Ripple was the largest owner of
10 XRP, correct?

11 A. I believe that to be to -- true.

12 Q. Was there anyone or anything that owned
13 close to as much XRP as Ripple did?

14 A. I do not believe so.

15 Q. And in 2017, Ripple was increasing the
16 supply of XRP in the marketplace whenever it sold
17 XRP?

18 A. Could you define "marketplace"?

19 Q. Ripple could increase the supply of XRP
20 available to potential purchasers by deciding to
21 sell XRP?

22 MR. HECKER: Objection to form;
23 foundation.

24 A. I believe that to be true, yes.

25 Q. So Ripple could decide to increase the

1 supply of XRP or decrease the supply of XRP?

2 MR. HECKER: Objection to form.

3 A. Can you rephrase the question, please?

4 Q. So if Ripple wanted to increase the
5 supply of XRP to available buyers, it could choose
6 to sell more XRP?

7 A. I believe that to be true, yes.

8 Q. And the opposite: If Ripple wanted to
9 decrease the available supply of XRP to potential
10 buyers, it could reduce the amount of XRP it was
11 selling?

12 MS. ZORNBERG: Object to form.

13 A. I don't -- I don't know for certain, but
14 I don't believe that reduces the supply.

15 Q. So if -- let's say Ripple was selling
16 100 XRP a month on a regular basis. If Ripple
17 decides to start selling 5 XRP a month on a
18 regular basis, is that increasing the supply or
19 reducing the supply?

20 MS. ZORNBERG: Object to form.

21 A. So the question is: If Ripple was
22 selling 100 XRP and now it sells 5 XRP per month,
23 that would still be to my knowledge increasing the
24 supply of XRP.

25 Q. Could Ripple reduce the XR -- the supply

1 of XR -- okay -- the available supply of XRP to
2 potential buyers by going from selling 100 a month
3 to 5 a month, is Ripple increasing the supply of
4 available XRP or reducing the supply of available
5 XRP?

6 MS. ZORNBERG: Object to form.

7 A. Selling 100 XRP per month or selling 5
8 XRP per month increases the supply of XRP to
9 purchasers.

10 Q. I'm sorry if I'm not being articulate.
11 Let's say Ripple had been consistently selling 100
12 XRP a month, but then starts reducing that to 5
13 XRP a month going forward.

14 Has the supply of XRP Ripple is making
15 available on a monthly basis gone up or down?

16 A. In that case, the amount has decreased
17 by -- it was 105, right? 105? It's 95.

18 Q. Did anyone ever express to you at Ripple
19 that Ripple could increase the price of XRP by
20 slowing the rate in which it sold XRP into the
21 market?

22 A. I do not recall.

23 Q. Could Ripple affect the price of XRP by
24 changing the rate in which it sold XRP into the
25 market?

1 A. I don't know for certain.

2 Q. If Ripple decided to sell all its XRP
3 holdings at once, what is your understanding of
4 how that would impact the price of XRP?

5 A. I don't know for certain.

6 Q. I mean, you went to business school,
7 right?

8 A. Correct.

9 MR. HECKER: Objection to form;
10 argumentative and asked and answered.

11 Q. So if Ripple says we're now putting our
12 50 billion XRP up for sale, do you think that
13 would drive the price of XRP up or the price of
14 XRP down?

15 A. I think it would create, you know,
16 uncertainty in the market.

17 Q. Do you think the price of XRP would go
18 up in that situation?

19 A. Can you rephrase the question, please?

20 Q. If Ripple announces that it was selling
21 all of its XRP holdings at once.

22 A. I mean, I don't know for certain. I can
23 only speculate.

24 Q. What -- what -- what's your -- what do
25 you think would happen? What's your understanding

1 of what would happen?

2 MR. HECKER: Object -- objection
3 to form; calls for speculation.

4 When you reach a good moment, we
5 can take a short break.

6 A. It would -- it would erode liquidity.
7 It can potentially erode liquidity. It could
8 potentially erode trust.

9 MR. HANAUER: Counsel, I have a
10 couple more documents on this subject.
11 Can I --

12 MR. HECKER: Let's take a break
13 if you don't mind. We've been going about
14 an hour and 15.

15 MR. HANAUER: Sure.

16 MR. HECKER: Thanks.

17 THE VIDEOGRAPHER: The time on
18 the video monitor is now 12:03 --

19 MR. HECKER: Thank you.

20 THE VIDEOGRAPHER: -- 12:04 p.m.

21 This is the end of Media Unit Number 2.
22 We're going off the video record.

23 (Whereupon a recess is taken.)

24 THE VIDEOGRAPHER: The time on
25 the video monitor is now 12:22 p.m. This

1 is the start of Media Unit Number 3. We
2 are back on the video record.

3 (Whereupon, exhibit is presented
4 and marked SEC Birla Exhibit AB-18 for
5 identification.)

6 MR. HANAUER: I just tendered the
7 witness Exhibit AB-18, which is an e-mail
8 chain starting on page with the Bates
9 number ending in 2161.

10 BY MR. HANAUER:

11 Q. And, Mr. Birla, is Exhibit AB-18 an
12 e-mail chain ending with an e-mail
13 Mr. Garlinghouse sent to you and others dated
14 April 9th, 2017?

15 A. Yes.

16 Q. And the e-mail Mr. Garlinghouse is
17 sending you, he's forwarding an e-mail that he
18 sent to the board on April 9th, 2017?

19 A. I believe that to be correct, yes.

20 Q. And then if you look at page 2 of the
21 exhibit, that e-mail chain contains an e-mail that
22 Mr. Garlinghouse sent to Mr. Larsen on April 7th,
23 2017?

24 A. I believe that's true, yes.

25 Q. And I take it you -- you typically read

1 the e-mails Mr. Garlinghouse sends -- sends you?

2 A. Ones that I'm cc'd on, you know, it's --
3 it's hit or miss, depending on the content. Not
4 always.

5 Q. But ones Mr. Garlinghouse sends you in
6 the "To" line, those you typically read?

7 A. Not always.

8 Q. What about when Mr. Garlinghouse sends
9 you e-mails containing communications he sent to
10 the -- sends to the board?

11 A. More often than not, I -- I read those.

12 Q. Okay. Did you read this e-mail in
13 Exhibit 18?

14 A. I do not recall.

15 Q. Okay. So I want to refer you to the
16 e-mail to the board Mr. Garlinghouse forwards you
17 on the first page of Exhibit AB-18. In the -- the
18 first -- or the third paragraph, he writes "Before
19 I dive into some highlights and lowlights, I think
20 we will all agree that the most significant Q1
21 development came at the end of the quarter in the
22 form of a dramatic spike in XRP price and market
23 activity."

24 A. I see that.

25 Q. And the paragraph ends "It's a

1 game-changer for us on a bunch of levels."

2 Did Mr. Garlinghouse ever promote XRP
3 price increases to the board?

4 MS. ZORNBERG: Object to form.

5 MR. SOLOMON: Object to form.

6 Calls for speculation. Objection to form.

7 Calls for speculation. Sorry. And lack
8 of foundation. I'm sorry.

9 MS. GRESSEL: Could you also
10 please ask them to distribute the exhibit?

11 MR. TENREIRO: Exhibit 18?

12 Nicole, did you send 18? I thought I
13 mentioned it.

14 MS. GRESSEL: Thank you.

15 A. Can you repeat the question, please?

16 Q. Are you aware of Mr. Garlinghouse ever
17 promoting XRP price increases to Ripple's board?

18 MS. ZORNBERG: Same objections.

19 A. Not to my recollection.

20 Q. Are you aware of Mr. Garlinghouse ever
21 promoting XRP price increases to the public?

22 MS. ZORNBERG: Object to form.

23 A. Not to my recollection.

24 Q. Are you aware of Mr. Garlinghouse ever
25 promoting XRP price increases to investors?

1 MS. ZORNBERG: Object to form.

2 A. Not to my knowledge.

3 Q. Did you understand that Mr. Garlinghouse
4 was communicating to Ripple's board that the price
5 rise in XRP was beneficial to Ripple?

6 MR. SOLOMON: Objection; form.

7 A. Is there a point in the document?

8 Q. I read you -- I read you the part where
9 he's talking about the dramatic spike in XRP
10 price.

11 A. I believe he mentioned that it's a
12 game-changer.

13 Q. And did you understand him to be saying
14 a game-changer in a beneficial way or a
15 detrimental way?

16 MR. SOLOMON: Objection; lack of
17 foundation, unless he was at the board
18 meeting.

19 Can you just rephrase the
20 question, Ben?

21 Q. Do you understand my question?

22 A. If you could rephrase.

23 Q. Do you -- do you understand
24 Mr. Garlinghouse in his e-mail to be describing
25 the price spike in XRP to be beneficial to rep --

1 Ripple or detrimental to Ripple?

2 A. I don't know for certain and I'm
3 speculating that game-changer means positive.

4 Q. And in the second-to-last paragraph on
5 the first page of AB-1 [sic], Mr. Garlinghouse
6 writes "And on a more strategic level, holding
7 approximately two billion of XRP (based on today's
8 market price) presents opportunities to think
9 strategically about our capital structure (and
10 funding strategy)."

11 A. I read that.

12 Q. Did you understand Mr. Garlinghouse to
13 be conveying that the price rise in XRP meant more
14 money for Ripple to spend on its operations and
15 product development?

16 MR. HECKER: Objection to form.

17 A. I'm uncertain if that's what he -- he
18 means by the last paragraph here, page 1.

19 Q. And do you see the paragraph that begins
20 "On an operating level, for XRP to serve the
21 purposes of lowering liquidity costs for payments,
22 it needs" to develop -- "it needs deep liquidity
23 across fiat currency pairs"?

24 A. I see that.

25 Q. Do you agree that XRP deep -- needs deep

1 liquidity to work for use in effecting
2 cross-border payments?

3 MR. HECKER: Objection to form.

4 You can answer.

5 A. I believe that in -- in the currency
6 pairs and exchanges that are part of the xRapid
7 and ODL experience, that deep liquidity against
8 those fiat pairs in destinations and origination
9 points for our customers provides a better
10 experience for our customers.

11 Q. Does xRapid or ODL work better if
12 there's more liquidity in XRP or less liquidity in
13 XRP?

14 A. In the amounts you can send and the cost
15 of sending, both are factors for the customer.
16 The liquidity is a strong factor in the experience
17 for both cost to our customer and the amount the
18 customer can send cross border.

19 Q. All right. But here's what I'm getting
20 at. From Ripple's perspective, the more liquid
21 the market the XR -- for XRP the better?

22 A. For -- for xRapid and the ODL products,
23 the more liquid those fiat pairs that are part of
24 the XRP experience, that is a better product
25 experience for our customers.

1 Q. And then do you see the next sentence
2 in -- in that paragraph, Mr. Garlinghouse writes
3 "Speculative and market trading volume builds that
4 liquidity - they are the catalyst to the XRP
5 flywheel"?

6 A. I see that.

7 Q. What do you understand Mr. Garlinghouse
8 to be talking about there?

9 A. From -- from my vantage point, as part
10 of the xRapid experience, there are two types of
11 liquidity that are on exchanges: One is, you
12 know, Ripple-contracted market making, and the
13 other one on the product side is what we call
14 natural liquidity. And natural liquidity is
15 organic liquidity that's available. And then the
16 Ripple-contracted market makers are -- are -- are
17 liquidity that Ripple contracts for. And those
18 are the two types that are on exchanges. Folks
19 refer to natural liquidity in different
20 terminology. On the product side we call it
21 natural liquidity.

22 Q. And speculative trading, is -- that
23 falls into the natural liquidity bucket?

24 A. I have in -- in the past heard folks
25 refer to natural liquidity in other terms,

1 including speculative liquidity.

2 Q. Okay. And what is your understanding of
3 what speculative trading is?

4 MR. SOLOMON: Ben, I'm just going
5 to interrupt you. Are you talking about
6 as used in this e-mail by Brad, or are you
7 talking about his personal view separate
8 and apart from this e-mail? I just want
9 to make sure the record is clear on this
10 when he answers.

11 MR. HANAUER: Yeah, thanks, Matt.
12 The witness's understanding of the term
13 "speculative trading."

14 MR. SOLOMON: Right. But I don't
15 know that he understands. You asked him
16 about Brad's statements in the e-mail.
17 Now you're asking about his own
18 understanding. I just want to make sure
19 he's answering your question.

20 BY MR. HANAUER:

21 Q. What's your understanding of the term
22 "speculative trading" as you would use it?

23 A. My understanding of speculative trading
24 is -- is a catchall for when you don't know. So
25 you don't know -- with cryptocurrency exchanges,

1 you don't really know what, you know, folks are on
2 there, you know, trading cryptocurrencies for.
3 And so it's like a catchall definitional portion
4 for that kind of volume and activity.

5 Q. But would you -- is a speculative
6 investor someone that buys XRP with the hope that
7 its price will rise?

8 A. Well, there's different -- in my
9 interpretation of speculative, there's different
10 reasons why folks would buy additional asset. You
11 just don't know. That's the way that currency --
12 that's the way that cryptocurrency exchanges work.

13 And there is potential that one reason
14 could be for them speculating or, as you put it,
15 investing, but there could be a whole host of
16 other reasons that we don't know that they're
17 buying different digital assets on exchanges.
18 It's, like, unclassified.

19 Q. So when -- when you refer to
20 "speculative trading," that includes investors who
21 are purchasing XRP with the hope that its price
22 would rise?

23 MR. HECKER: Objection to form.

24 MR. SOLOMON: Objection. He

25 didn't use the word "investors."

1 A. I -- I -- I use it as a catchall when I
2 don't know the purpose. That's by design of how a
3 cryptocurrency exchange works, is like there are
4 entities and people on there that you don't know
5 how they -- you know, the reasons they're buying
6 it. They could be buying it to pay for goods.
7 They could be doing -- buying it for a
8 cross-border transaction. Or, as I mentioned
9 earlier, it could be contracted.

10 Q. Did you have the understanding during
11 the time you worked at Ripple that certain market
12 participants would purchase XRP with the hope that
13 its price would rise?

14 A. Could you rephrase the question, please?

15 Q. Yeah.

16 Since -- since you start -- since you've
17 been working at Ripple, has it been your
18 understanding that there are market participants
19 who purchase XRP with the hope that its price will
20 rise?

21 A. Yes, I believe that to be true.

22 MR. HANAUER: Twenty-seven.

23 MR. TENREIRO: Twenty-seven,

24 Nicole.

25 (Whereupon, exhibit is presented)

1 and marked SEC Birla Exhibit AB-27 for
2 identification.)

3 MR. HANAUER: And I'm tendering
4 the witness a document labeled as Exhibit
5 AB-27, which has a Bates number ending in
6 2337.

7 BY MR. HANAUER:

8 Q. And, Mr. Birla, is Exhibit AB-27 an
9 e-mail chain ending with an e-mail that you sent
10 to [REDACTED] and others on December 22nd,
11 2017?

12 A. Yes, I believe so.

13 Q. And [REDACTED], she works at the
14 [REDACTED]?

15 A. At this period, I believe so.

16 Q. And on Exhibit AB-27, Ms. [REDACTED]
17 e-mailed you on December 22nd, 2017, she writes
18 "Hi, Asheesh, sharing a suggested RT if you're up
19 for it. Brad tweeted out a chart from [REDACTED]
20 today with the headline 'Bitcoin is so 2017 as
21 Ripple soars at year-end: Chart' and we suggest
22 you RT with comment to amplify engagement."

23 A. I see that.

24 Q. So when Ms. [REDACTED] writes "RT," did
25 you understand that to mean retweet?

1 A. Yes, I did.

2 Q. And she's referring to a tweet that
3 Mr. Garlinghouse had made?

4 A. I believe that's true, yes.

5 Q. And the tweet Mr. Garlinghouse made was
6 referring to the price rise in XRP?

7 A. Well, I -- I don't have the article,
8 but -- I don't have the article that -- that it's
9 referring to to completely understand the context
10 of the tweet.

11 Q. Okay. Whatever Mr. Garlinghouse
12 tweeted, Ripple's PR agency was asking you to
13 retweet it?

14 A. I believe that to be true, yes.

15 Q. Do you know if you retweeted
16 Mr. Garlinghouse -- Garlinghouse's tweet?

17 A. I do not recall.

18 Q. Did Mr. Garlinghouse ever make tweets
19 about XRP price increases that you're aware of?

20 A. Not that I'm aware of.

21 Q. Did you ever tweet about XRP price
22 increases?

23 A. I don't know for certain.

24 Q. Okay. You can put that exhibit away,
25 please.

1 So how would you describe the term
2 "liquidity" as it relates to XRP?

3 A. So XRP, like other digital assets,
4 bitcoin and Ethereum and Litecoin and -- are
5 examples, are traded on cryptocurrency exchanges,
6 decentralized ones or centralized ones. And on
7 these cryptocurrency exchanges, there are order
8 books. And order books are -- are matching buy
9 and sell orders. And -- and they have amounts.
10 So, you know, the amount of sell, the amount of
11 buy.

12 If you add up the order book within a
13 certain band around a midpoint of -- of a market
14 price, that's known as depth of liquidity. And
15 the deeper the depth of liquidity just means that
16 around the market price, there are more orders put
17 in for that given currency.

18 Q. Does a more liquid market generally mean
19 a tighter spread between the bid and the ask?

20 A. I don't know for certain. There are
21 cases where that isn't true, but I believe there
22 are cases where that's -- that's true as well.

23 Q. But is it generally true that in a more
24 liquid -- the more liquid the market is, the
25 tighter the bid/ask spreads are?

1 A. It's -- yeah, I don't know for certain,
2 but generally a deeper order book and deeper
3 liquidity provides a better experience for our
4 products and the bid -- the bid/ask is what's
5 known as a tighter bid -- bid/ask.

6 Q. So a tighter bid/ask, that's better for
7 Ripple because it makes its customer experience
8 better?

9 A. To my knowledge, most of the time, not
10 all -- always, but most of the time a tight
11 bid/ask provides better rates for our customers
12 and a deeper -- a tight bid/ask with a deeper
13 liquidity pool not only provides good rates, but
14 it enables customers to send more in notional
15 volume.

16 Q. And -- and generally a tighter bid/ask
17 spread is reflective of a more liquid market?

18 MS. ZORNBERG: Object to form.

19 You can answer if you
20 understand.

21 A. I don't know for certain. I've seen
22 exceptions to that, but it is my understanding in
23 general that a tighter bid/ask is correlated with
24 deeper liquidity pool around that asset.

25 Q. And when you say "deeper liquidity

1 pool," that's the same thing as more liquid?

2 A. The definition that I provided earlier
3 is the one that I go off of, meaning that at a
4 given change, liquidity is measured at the point
5 of an exchange. So you're referring to -- or, you
6 know, one would refer to a deep liquidity pool
7 between bitcoin or XRP and the Mexican peso.
8 And -- and the more orders around the midpoint
9 would be a deeper liquidity pool.

10 Q. Right. And I just want to make sure
11 we're on the same page. When you're talking about
12 a deeper liquidity pool, that means more
13 liquidity, right?

14 A. In my definition, I believe that to be
15 true. And to clarify, there are local minimum and
16 maximums. And so it's important to note that the
17 liquidity is measured at the local point, meaning
18 against -- at a given exchange and against a given
19 pair at that exchange.

20 Q. And when Ripple measured liquidity,
21 however it did, the more liquid the pool was, the
22 better Ripple's products operated?

23 A. To be specific, in my role, my products
24 measure liquidity at local maximums and local
25 minimums. So that means that if we were

1 facilitating an ODL or xRapid payment between U.S.
2 and Mexico, we measure liquidity at the U.S.
3 dollar to XRP order book and then the -- and then
4 the XRP to Mexican peso order book. And that's
5 how we measure liquidity for our products, the
6 enterprise products.

7 Q. And the way you measured liquidity, as
8 you just described it, the more liquid a currency
9 pairing was, the better Ripple's product operated?

10 A. In that given jurisdiction and -- and
11 locality, in general, that was true. There was
12 exceptions. There are things called a -- a
13 reversed order book that causes exceptions to that
14 rule. But, in general, that, to my knowledge, is
15 true.

16 Q. And since the time you started at
17 Ripple, one of Ripple's goals has been to increase
18 the liquidity of XRP on digital asset exchanges?

19 A. Can you rephrase the question, please?

20 Q. So I'm just talking about since the time
21 you started working at Ripple, one of Ripple's
22 goals has been to increase the amount of liquidity
23 of XRP on the exchanges it trades on?

24 A. Specifically as it pertains to my role
25 and the products that I work on, it's a

1 combination of exchanges that are enabled by
2 xRapid -- I'm sorry, the other way around --
3 exchanges that are part of the xRapid experience.
4 Having good ample liquidity at those exchanges is
5 important, but another factor that goes into it is
6 the amount the customer wants to send.

7 So, for example, if a customer wants to
8 send a million dollars between U.S. and Mexico,
9 there needs to be at least \$1 million of liquidity
10 depth at the -- at both exchanges, the sending
11 exchange and the receiving or destination
12 exchange. Often 2x the amount and 3x even better
13 in a number of circumstances, but not always true.

14 Q. And because of the importance of
15 liquidity to the way Ripple's products operate,
16 one of the things you and your -- your team would
17 work on would be to increase the liquidity of
18 Ripple -- or of XRP on those exchanges?

19 A. So to be specific, I -- I believe that
20 if a customer wanted to send payments into the
21 Philippines, then it was important for the
22 Philippines exchange to be part of the xRapid
23 experience and for there to be liquidity at the
24 destination Filipino exchange. And the same thing
25 at the sending exchange as well, that it's part of

1 the xRapid experience.

2 Q. So in order to make that happen, Ripple,
3 as a company, made efforts to increase the
4 liquidity on the -- both domestic exchanges XRP
5 traded on and the foreign exchanges XRP traded on?

6 A. And to be specific, the foreign and
7 destination exchanges that were part of the xRapid
8 experience. In often cases, there are multiple
9 exchanges at the destination.

10 So, for example, in the Philippines,
11 there are three crypto exchanges in the
12 Philippines, but only one is part of the Ripple --
13 ODL experience.

14 Q. Right.

15 So since you started working at Ripple,
16 Ripple made efforts to increase the liquidity of
17 XRP on the exchanges that Ripple needed to utilize
18 to make its products work, right?

19 A. Sometimes there are ample -- there's
20 ample volume already known as natural liquidity.
21 That's often the case at the larger sending
22 exchanges such as Bitstamp. It's a very deep
23 order book, as they call it, or depth of
24 liquidity.

25 But the reverse is often true in

1 emerging markets. And so providing more liquidity
2 in emerging markets was often needed to provide a
3 proper and excellent product experience to our
4 customers.

5 Q. Needed by Ripple?

6 A. Well, by our customers. So the
7 customers, if they want to send a million dollars
8 into the Philippines, need over a million dollars
9 of liquidity at that destination for a good
10 product experience.

11 Q. Right.

12 So to make sure that Ripple's customers
13 had a good product experience, Ripple made efforts
14 to increase the liquidity on the target -- the
15 foreign exchanges that Ripple used to make its
16 products work?

17 A. Not always, but, you know, on a
18 case-by-case basis, that is correct, to my
19 knowledge.

20 (Whereupon, exhibit is presented
21 and marked SEC Birla Exhibit AB-8 for
22 identification.)

23 MR. HANAUER: And for those on
24 Zoom, we're going to Exhibit 8. And I
25 tendered the witness exhibit -- a document

1 labeled Exhibit AB-8, which begins with
2 the Bates number ending in 4717.

3 BY MR. HANAUER:

4 Q. Mr. Birla, is Exhibit AB-8 an e-mail
5 that [REDACTED] sent to you and others dated February
6 19th, 2016, and the attachment to that e-mail?

7 A. It appears so, yes.

8 Q. And who -- who's [REDACTED]?

9 A. [REDACTED] was an early employee at Ripple.

10 Q. Is he still there?

11 A. I don't believe so.

12 Q. What did he -- what did he do?

13 A. He held a number of roles during his
14 tenure at Ripple, from integration expert to
15 technical architect. I don't -- I don't know the
16 full range of responsibilities he had during his
17 tenure.

18 Q. And do you see the subject line of
19 Mr. [REDACTED] e-mail is "XRP Bridge Currency Papers"?

20 A. Yes, I do see that.

21 Q. And what's your understanding of the
22 term "bridge currency" as it relates to Ripple's
23 business?

24 A. So as I understand it, when you have two
25 counterparties -- so a counterparty is a trusted

1 corporation and a financial institution -- they
2 issue customers, retail people, something called
3 on IOU. But they're the counterparty. So, for
4 example, if you bank at Bank of America, Bank of
5 America would be the counterparty. And then on
6 the receiving end, you have another counterparty.
7 Let's just say it's Santander Bank in -- in
8 Mexico. And a bridge currency for a neutral
9 decentralized digital asset like XRP is helpful so
10 that both counterparties don't have to have trust
11 with each other.

12 Q. So when Ripple uses XRP in its ODL
13 product to convert dollars to pesos, is XRP acting
14 as the bridge currency?

15 A. I believe so, yes.

16 Q. And do you see how Mr. [REDACTED] writes in his
17 e-mail "Ripple must make a concerted effort to
18 establish XRP as a bridge"?

19 A. I'm reading that, yes.

20 Q. Would -- would you agree with that
21 statement as of February 2016?

22 MS. ZORNBERG: So object to form.

23 Are you asking him did he review this
24 document at the time and did he in 2016,
25 when he reviewed it, agree with the

1 statement? Or looking at it now,
2 regardless of familiarity, does he agree?

3 BY MR. HANAUER:

4 Q. Just as -- as you think back to 2016,
5 did Ripple need to make a concerted effort to
6 establish XRP as a bridge currency?

7 A. To -- to my knowledge, that wasn't the
8 focus of -- of product. And in 2016 I was leading
9 product and my concerted effort was around solving
10 customer pain points. And if a customer pain
11 point was resolved and it removed friction by
12 using XRP as a bridge currency, then we used XRP
13 as a bridge currency. If it didn't, then we used
14 another solution or another feature. So it really
15 depends on -- the concerted effort was around
16 focusing on the customer and solving their pain
17 points and removing friction from their
18 experience.

19 Q. So Ripple currently uses XRP as a bridge
20 currency in its ODL product, correct?

21 A. That is correct.

22 Q. Do other companies use bridge -- XRP as
23 a bridge currency in other cross-border payment
24 systems that they sell to customers?

25 A. Can you rephrase the question, please?

1 Q. So Ripple uses XRP in the
2 cross-border-payment platform that it sells to its
3 customers?

4 A. That's correct.

5 Q. Do other companies sell
6 cross-border-payment platforms to customers that
7 use XRP as a bridge currency?

8 A. To my knowledge, there are other
9 customers and developers that leverage the XRP
10 ledger to convert from one currency to another
11 currency. And if you leverage the XRP ledger to
12 convert from one currency to another currency,
13 there's a feature in the XRP ledger called auto
14 bridging or pathfinding or a combination of auto
15 bridging and pathfinding. And in those cases it's
16 my -- it's my belief that they bridge through XRP
17 when it improves the product experience or
18 provides a better rate to the customer or makes an
19 illiquid asset liquid.

20 Given the XRP ledger is decentralized
21 and that's not a core part of my job to -- to look
22 at the XRP ledger, I don't know all the different
23 use cases, but I do know that the XRPLDex and auto
24 bridging and pathfinding to my knowledge are --
25 are leveraged for developers and companies outside

1 of Ripple.

2 Q. So what other companies besides Ripple
3 offer customers a cross-border-payment platform
4 that uses XRP as the bridge currency?

5 A. I don't track all the developers. It's
6 open, it's decentralized. And part of the beauty
7 of an open and decentralized open-source system is
8 that often I learn about these things secondhand.
9 For example, someone Tweeting that they developed
10 an application on top of the XRP ledger. So I
11 don't actively keep track of all the different use
12 cases and companies and nor do we know of the
13 entities of a lot of them given the open source is
14 decentralized.

15 Q. So who are Ripple's competitors that
16 sell cross-border payment systems that use XRP as
17 a bridge currency?

18 A. I don't -- so xRapid and -- and ODL are
19 offered in only a few jurisdictions right now.
20 They don't cover all currencies available, so I
21 don't know who is competing with the ODL value
22 proposition.

23 Secondly, the market is massive. So I
24 don't -- I don't view anyone coming into the
25 ecosystem as a competitor. For example,

1 there's -- there are folks going after SME
2 payments, which are -- SME stands for small
3 businesses. Small-, medium-sized enterprises.
4 There's other folks going after e-commerce. So, I
5 mean, I wouldn't call those competitors to --
6 to -- to Ripple's products.

7 And, again, like the -- the payment size
8 is in the trillions and there's more than enough
9 room for a lot of folks to integrate.

10 Q. Right.

11 But can you name another company today
12 that offers a cross-border remittance product that
13 relies on XRP as the bridge currency?

14 A. I -- I don't know a name.

15 Q. Okay. And would ODL exist today if not
16 for the efforts of Ripple?

17 MS. ZORNBERG: Objection.

18 A. Can you rephrase the question, please?

19 Q. ODL is currently Ripple's primary
20 cross-border payment product, correct?

21 A. It is one of our main product lines for
22 cross-border payments.

23 Q. And you were responsible for developing
24 that product, right?

25 A. My team was responsible for that, yes,

1 correct.

2 Q. And you and your team put in a lot of
3 work over many years to get ODL to the point where
4 customers were using it, right?

5 A. Yeah. We -- we spend a lot of time with
6 customers and getting their feedback and using
7 that feedback for product improvements around not
8 only ODL and xRapid, but RippleNet as -- as a
9 whole.

10 Q. And ODL was a product that Ripple
11 developed, right?

12 A. Yes.

13 Q. So would anyone be using ODL today if
14 Ripple didn't exist?

15 A. Well, the product was developed -- ODL
16 was developed by Ripple. So the -- I believe the
17 answer is no.

18 Q. Did you read the papers attached to
19 Mr. [REDACTED]'s e-mail?

20 A. I don't believe so, no.

21 Q. Can you -- you can put that exhibit
22 away.

23 A. This one?

24 Q. Yeah. Thank you.

25 MR. HANAUER: We're at a pretty

1 logical stopping point. Would anybody
2 object if we took lunch now?

3 Let's go off the record, please.

4 THE VIDEOGRAPHER: Please stand
5 by. The time on the video monitor is now
6 1:05 p.m. This is the end of Media Unit
7 Number 3. Please stand by as we go off
8 the video record.

9 (Whereupon, a luncheon recess is
10 taken.)

A F T E R N O O N S E S S I O N

THE VIDEOGRAPHER: The time on
the video monitor is now 1:50 p.m. This
is the start of Media Unit Number 4. We
are back on the video record.

BY MR. HANAUER:

Q. Mr. Birla, was there a time that Ripple
gave away XRP for free?

A. I believe so, yes.

Q. When was that?

A. I don't recall the exact date. Yeah, I
don't -- I don't recall the exact dates.

Q. Do you recall the last time Ripple gave
away XRP for free?

A. I -- I do not.

Q. Why was Ripple giving away XRP for free?

A. I don't quite understand all the
dynamics behind why Ripple was giving away XRP.

Q. Who were the type of recipients that XRP
was -- or that Ripple was giving XRP to for free?

A. I -- I don't know for certain, but from
my recollection, I remember developers being one
constituent or group.

Q. Traders?

A. I don't know for certain.

1 Q. Investors?

2 A. I don't know for certain.

3 Q. When Ripple gave away XRP for free, did
4 it place restrictions on what the recipient could
5 do with the XRP?

6 A. I do not recall.

7 Q. So we talked a little bit earlier this
8 morning about the term "speculator" or
9 "speculative trading."

10 And can you just remind me, what was
11 your understanding of -- of that terminology?

12 A. In the product sense, there are -- in
13 relation to ODL, there are two types of
14 constituents or groups that provide liquidity.
15 There are contracted market makers and there are
16 natural liquidity providers. And natural
17 liquidity providers are largely unknown, but
18 the -- that liquidity is organic to the exchange
19 and to the depth of liquidity. It adds to the
20 depth of liquidity at an exchange.

21 Q. So the natural liquidity providers were
22 those participants that traded XRP on exchanges,
23 right?

24 MS. ZORNBERG: Object to form.

25 A. I believe so, yes.

1 Q. So when the terminology "speculative
2 trading" or "speculators" was used at Ripple, you
3 understood that to mean those trading XRP on
4 digital exchanges?

5 MR. HECKER: Objection to form.

6 A. I understood that to be similar to my
7 definition of natural liquidity providers.

8 Q. And I believe you mentioned that Ripple
9 did not know who the speculators were or what
10 their motivation was for trading XRP?

11 MS. ZORNBERG: Objection to form.

12 A. Can you rephrase the question, please?

13 Q. "Speculators" or "speculative trading,"
14 as that term was referred to at -- at Ripple,
15 Ripple did not know why those speculators were
16 trading in XRP, correct?

17 MR. HECKER: Same objection.

18 A. The contracted market makers for the
19 most part are known entities. The natural
20 liquidity participants, it is correct,
21 they're largely unknown to -- to Ripple.

22 Q. But you had mentioned that while the
23 speculators were largely unknown to Ripple, you
24 understood that at least some speculators were
25 trading XRP with the hope of profiting off it?

1 MR. HECKER: Objection to form;
2 foundation.

3 A. It is unknown what -- what the natural
4 liquidity participants' use case was or is. One
5 of those use cases could be investments.

6 Q. And you understood that there were
7 certain market participants that were, in fact,
8 investing in XRP with the hope that its price
9 would rise?

10 MR. HECKER: Objection to form.

11 A. I do understand that at least some of
12 the market -- natural liquidity market
13 participants, their use case was investment.

14 Q. Did Ripple do anything to investigate
15 the speculative traders to find out what they were
16 doing with the XRP they were trading?

17 MS. ZORNBERG: Object to form.

18 A. To my knowledge, similar to open source
19 and the decentralized nature of the product and --
20 and the ecosystem, developers, traders, other
21 constituents, users, are unknown to the larger
22 community and that's the nature of open and
23 decentralized technology.

24 Q. Did rip -- Ripple make efforts to figure
25 out who was trading in XRP?

1 A. Not to my knowledge.

2 Q. Did Ripple make efforts to restrict how
3 the people trading XRP on exchanges could use
4 their XRP?

5 MR. HECKER: Objection to form.

6 A. Could you rephrase the question?

7 Q. Did Ripple ever make efforts to restrict
8 how those trading XRP on exchanges could use the
9 XRP that they purchased?

10 A. Not to my knowledge.

11 Q. During your time at Ripple, has Ripple
12 ever encouraged or promoted the investing in XRP?

13 MS. ZORNBERG: Object to form.

14 A. I don't recall.

15 Q. Did Ripple sell XRP to investors?

16 A. The -- today to my knowledge, the
17 primary sale of XRP is of for use in the products.
18 So ODL customers to my knowledge are the primary
19 counterparty in a sale of XRP, to my knowledge.

20 Q. Since 2016, has Ripple sold XRP to
21 investors?

22 A. Can you --

23 MS. ZORNBERG: Object to form.

24 A. Can you rephrase the question, please?

25 Q. Do you understand that since 2016,

1 Ripple has from time to time sold XRP to
2 investors?

3 MS. ZORNBERG: Object to the term
4 "investor." Investor in Ripple? Investor
5 in some other broader sense?

6 MR. HANAUER: Investors in XRP.

7 A. I don't know other than the customers
8 that have purchased XRP for use in our product,
9 ODL. To my knowledge, I'm not aware of who the
10 company has sold XRP to.

11 Q. Are you aware that Ripple has sold XRP
12 directly to hedge funds?

13 A. I do not recall.

14 Q. Do you understand that Ripple has sold
15 XRP to institutional investors?

16 A. I do not recall.

17 Q. Do you understand that there's a
18 community of retail investors in XRP?

19 MS. ZORNBERG: Object to form.

20 You can answer.

21 A. Yes, I believe so.

22 Q. Do you have an understanding of whether
23 more people are trading in XRP for investment
24 purposes as opposed to other purposes?

25 MR. HECKER: Objection to form.